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TAGS: SENV ENRG KGHG PREL AS
SUBJECT: AUSTRALIAN CARBON CAPTURE AND STORAGE INITIATIVE

REF: ATKINSON-COLLECTIVE EMAIL 9/5/2008

Classified By: Econ Counselor Edgard Kagan, Reasons 1.4(b)(d)

¶1. (C/NF) Summary: Australian officials tasked with coordinating their proposed Global Carbon Capture and Storage Initiative (GCCSI) with international partners this week reiterated PM Rudd's strong interest in moving this forward, with a public rollout in the coming weeks. Australia will work to address concerns over interaction with ongoing efforts, but needs to roll out this program soon and in a manner that gives Australia a leadership role in developing this technology. Though aware of discussions in Washington, they may not be aware of the most recent exchanges. End Summary.

¶2. (C/NF) Following up discussions last week with Department of Resources, Energy and Tourism General Manager John Hartwell (ref email), we spoke with Rhondda Dickson, First Assistant Secretary for Industry, Infrastructure and Environment, at the Department of Prime Minister and Cabinet, on September 9. Jackson reiterated Prime Minister Rudd's interest in having Australia take a leading role internationally on carbon capture and storage through its proposed Global CCS Initiative. She noted that this was not seen as simply a domestic issue, and that the government was prepared to put substantial funding into supporting this effort. Australia has a pragmatic view of this effort, and is committed to working with the U.S. to make it a success, but intends to announce the project by the end of the month. Dickson confirmed that Hartwell has been given the lead on coordinating this effort with international partners, but that the PM's office was keeping a close eye on developments.

¶3. (C/NF) Econoff subsequently spoke by phone with Margaret Sewell, General Manager for CCS at DRET, on September 10. Sewell, who is traveling in Taiwan, echoed Dickson's focus on Australian "pragmatism" in considering how this initiative should be bounded. She reiterated Australian desire to avoid duplication of effort or conflict with the Carbon Sequestration Leadership Forum (CSLF) and the Asia-Pacific Partnership. In discussing the question of how Australia could act to support the G8 goal of having in place 20 commercial scale projects by 2020, Sewell said that Australia was trying to avoid being "prescriptive" in discussing the size and scale of what might constitute a project that could fall under their proposed initiative. She recognized that this would require some "re-badging" of either existing or ongoing projects, and that Australia would be willing to join in funding some ongoing or planned projects that met their requirements as a result. (Note: GOA committed A\$500 million to the National Clean Coal Initiative in its 2008-2009 budget. Of that A\$295 million is currently allocated to projects in Australia, including two CCS plants in New South Wales and Victoria.)

¶4. (C/NF) Most of the projected funding for this initiative would be spent in Australia, either in the form of the proposed Research and Development center or for assistance to Australian CCS projects meeting the "commercial scale" requirement, Sewell said. However, the government is already actively considering funding part of a CCS project in China, and is looking at Indonesia as a possible destination for some of its money. Sewell said one goal of the GCCSI would be to work with partners to coordinate ongoing efforts in developing countries on CCS, almost all of which are at the pilot project scale, and see if some of them can be scaled up to meet the commercial scale requirement. Sewell said feedback from India had been very lukewarm on this, as the Indians did not seem to have favorable geology for large-scale storage sites. This led to another goal for the GCCSI, which is to "reinvigorate" CCS storage site joint mapping efforts. Those efforts, which have taken place largely under the aegis of the CSLF by a small number of experts, could be moved ahead under the GCCSI. Sewell said the thinking in Canberra was to use the resources of the proposed R&D center to identify the 20 largest "emissions" zones in the world (Eastern China, Indonesia, etc.) and then pool efforts to map out large-scale storage possibilities near those regions.

¶5. (C/NF) Sewell said that discussions with U.S. officials had indicated that there could be interest in developing linkages between the proposed R&D Center and U.S. research institutions. She said Australia would of course welcome such cooperation, if possible. She said there had been some background discussion of whether the GCCSI could be considered as a joint U.S.-Australian initiative. If that was a possibility, Sewell said, the GOA would "certainly consider this in detail," as U.S. support would be critical for the success of the GCCSI. However, any move to a joint project would have to satisfy the PM's policy reasons for pushing the initiative.

¶6. (C/NF) Comment: Dickson and Sewell clearly understand that the United States has concerns about the details of the GCCSI and how it interacts with existing efforts. However, they still appear to lack detailed explanations of the scope of those concerns. The sooner a direct discussion on these specific concerns can take place, the more likely we are to be able to mold this proposal into one that complements our own efforts. Sewell has been traveling for over a week and may not be aware of the latest discussions in Washington. Noting that there was interest in Washington in a direct conference call with Australian counterparts, she said that it would be very difficult to arrange before the week of September 15 due to key officials being on the road. End Comment.